



AUDITOR-GENERAL
SOUTH AFRICA

The Accounting Officer
Waterberg District Municipality
Private Bag X1018
Modimolle
0510

30 November 2010

Reference: 08005REG09/10

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Waterberg District Municipality for the year ended 30 June 2010

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa [section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in

Auditing to build public confidence

Auditor-General of South Africa

Private Bag X9339 Polokwane 0700 Limpopo • Docex 34 • Tel: +27 (0)15 299 4400 • Fax: +27 (0)15 299 4765 • www.agsa.co.za


the hard copy that is provided to you. The official logo will be made available to you in electronic format.

6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed


.....
Senior Manager : Lawrence Nevhutalu

Enquiries: Lawrence Nevhutalu
Telephone: (015) 299 4400
Fax: (015) 299 4765

**AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO LEGISLATURE
AND THE COUNCIL ON THE WATERBERG DISTRICT MUNICIPALITY**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Waterberg District Municipality, which comprise the statement of financial position, the statement of financial performance, the statement of net changes in assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages x to x.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Waterberg District Municipality for the year ended 30 June 2010, and its financial performance and its cash flows for the year then ended, in all material respects, in accordance with Statement of Generally Recognised Accounting Practice (GRAP) and in the manner required by the MFMA.

Emphasis of matter

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Irregular Expenditure

9. As disclosed in note 34.2 to the financial statements, irregular expenditure to the amount of R794 134 was incurred on a payment made without following the requirements of the supply chain management policy (SCM).

Significant underspending

10. As disclosed in Appendix E1, the municipality had as expenditure budget of R96 799 213 and incurred operating expenditure of R79 040 533. This resulted in the budget being underspent by R17 758 680.

Additional matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Unaudited supplementary schedules

12. The supplementary information set out on pages X to X does not form part of the financial statements and is presented as additional information. I have not audited this and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations and financial management (internal control).

Predetermined objectives

14. There were no material findings on the report on predetermined objectives as set out on pages [XX] to [XX].

Compliance with laws and regulations

MFMA

Expenditure was incurred in contravention of or not in accordance with applicable legislation resulting in irregular expenditure

15. As disclosed in note 34.2 of the financial statements, expenses to the amount of R794 123 were incurred that were not in accordance with the District Municipality's SCM Policy. This resulted in irregular expenditure as defined in section 1 of the MFMA.

Municipal Systems Act of South Africa, 2000 (Act 32 of 2000) (MSA)

Supply Chain Management legislative requirements were not implemented or adhered to

16. Annual declarations of interest were not available for 27 councillors. As a result, I was unable to verify that interest was disclosed as prescribed by schedule 1 of the MSA.

INTERNAL CONTROL

17. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the MFMA and MSA, but not for the purposes of expressing an opinion on the effectiveness of internal control.

18. The matters reported are limited to the significant deficiencies that gave rise to the findings on compliance with laws and regulations.

• **Leadership**

Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Auditor-General

Polokwane

30 November 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence